GOVERNMENT OF INDIA
FINANCE
LOK SABHA

STARRED QUESTION NO:139
ANSWERED ON:23.11.2007
STRENGTHENING OF THE RUPEE
Botcha Lakshmi Smt. Jhansi;Vallabhaneni Shri Balashowry

Will the Minister of FINANCE be pleased to state:

(a) whether the rupee has been getting stronger against other currencies during the last six months;

(b) if so, the reasons therefor; and

(c) the steps taken/being taken by the Government to protect certain sectors of the economy which have been adversely affected by this appreciation?

Answer

FINANCE MINISTER(SHRI P.CHIDAMBARAM)

(a)to(c): A Statement is laid on the Table of the House.

STARRED QUESTION NO.139 (POSITION NO.19)
Statement referred to in reply to Lok Sabha Starred Question No.139 (POSITION NO. 19) of November 23, 2007 by Shri Balashowry Vallabhaneni and Shrimati Botcha Jhansi Lakshmi regarding Strengthening of the Rupee.

(a) & (b): A depreciation of the US dollar against major currencies and increased capital flows have led to appreciation of the rupee vis-Ã -vis the US dollar. To the extent that Reserve Bank of India (RBI), with a view to reduce undue volatility, intervened in the foreign exchange market,such appreciation was moderated. The rupee has appreciated by lower levels against other major currencies like Euro,Pound Sterling and Japanese Yen. The extent appreciation of the rupee against major currencies is indicated below.

Appreciation (+) /depreciation (-) of the rupee against major currencies (in per cent)

	US$	Euro	PoundSterling	J. Yen
October 2007 over April 2007	6.67	1.32	3.83	3.95

Source: compiled from RBI data

(c): As there was widespread concern on possible lagged adverse impact of rupee appreciation on export growth, Government had announced relief measures on an ongoing basis. These, inter alia, include: enhancement of duty entitlement passbook rates for nine affected export sectors (textiles including handloom, readymade garments, leather products,handicrafts, engineering products, processed agricultural products,marine products, sports goods and toys) by 3 per cent and other export sectors by 2 per cent; reduction of Export Credit & Guarantee Corporation premium by 10 per cent of the existing premium rates; enhancement of the rates of duty drawback ranging from 10 per cent to 40 per cent for many items; interest subvention on pre and post-shipment credit for select affected sectors; provision for paying interest on outstanding balances of Export Earners Foreign Currency accounts to the extent of US$ 1 million per exporter up to 31.10.2008; and increasing the number of services eligible for refund/exemption of service tax.